

Issue 138: INSIDER’S EDGE: Social Security Title II Income—Does it count towards MAGI?

Welcome back, Insiders! Readers have had many questions about Social Security Title II income. What the heck is it and how does it impact income for when calculating modified adjusted gross income (MAGI)?

The Basics: SSDI v. SSI

The Social Security Administration (SSA) manages two programs that provide benefits based on disability or blindness: the Supplemental Security Income (SSI) program and the Social Security Disability Insurance (SSDI) program.

SSDI (under Title II) provides benefits to disabled or blind persons who are “insured” by workers’ contributions to the Social Security trust fund. The “contributions” are based on the payroll deductions taken from the individual’s earnings when they were able to work (or the earnings of their spouse or parents).

The SSI program (a.k.a. Title XVI) makes cash assistance payments to aged, blind, and disabled persons (including children) who have limited income and resources. Individuals who qualify for SSI are automatically eligible for Medicaid benefits in Maryland. SSI recipients do not need to apply for benefits using Maryland Health Connection or by visiting a Local Department of Social Services or using myDHR. Once a consumer is found eligible for SSI, they are automatically enrolled in Medicaid benefits.

MAGI 101

The guidepost for determining MAGI is IRS Form 1040, U.S. Individual Tax Return. When considering what income must be reported for MAGI, applicants should look at lines 7 through 21 on Form 1040. For the most part, any income *not* counted as income on lines 7 through 21 will *not* be part of MAGI. (Remember, deductions from MAGI are drawn from lines 23 through 35).

Once Adjusted Gross Income (AGI) is defined (see Line 37 of IRS Form 1040), three modifications are made to AGI to **transform** it into MAGI. These modifications account for (1) foreign income, (2) tax exempt interest and **(3) non-taxable Social Security benefits**.

How should Social Security benefits be recorded?

Step One: Determine the Type(s) of Social Security Benefit the Consumer Receives

SSI payments and other Social Security benefits, including SSDI (Title II) payments, are handled differently under the MAGI rules.

- SSI payments do **not** count towards a person's income under the MAGI rules.
- However, other Social Security Title II benefits **are** countable as income under the MAGI rules, such as:
 - SSDI,
 - Retirement benefits,

- Widow's benefits, and
- Survivor's benefits.

Step Two: Count All Social Security Benefits the Consumer Receives, *Except* for SSI

As noted above, only a portion of Social Security is subject to federal income tax and only that taxable portion is included in AGI under IRS income tax rules and recorded on Line 37 of IRS Form 1040.

However, under MAGI, all Social Security income will be included.

Thus, when determining MAGI, caseworkers do NOT need to determine what portion of Social Security is taxable and not taxable. The full amount of all Social Security benefits *except for SSI* are included in MAGI.

Exception: If a dependent with Social Security benefits is **not** required to file a return, any Social Security benefits he or she receives are **not** counted towards the household's MAGI.

WAIT WHAT?! A Special Note Regarding Social Security Benefits for Dependents

As you know, a dependent's income is only included in the household's MAGI if the dependent is required to file taxes based on the IRS tax filing thresholds.

In general, a single dependent under age 65 must file taxes if he or she has:

- Unearned income of >\$1,050, OR
- Earned income of >\$6,300, OR
- Gross income was greater than either: \$1,050 or earned income (up to \$5,950) plus \$350.

HOWEVER, Social Security benefits **do not count toward these thresholds for dependents.**

That's right, Social Security benefits **do not** count toward the IRS tax filing thresholds for dependents. If a dependent with Social Security benefits does not have enough other income to meet one of the filing thresholds, any Social Security benefits he or she receives are not counted towards the household's MAGI.

Additional Resources

- [*Issue 44: INSIDER'S EDGE: Disability Payments—Is it Income?*](#)
- [*Issue 53: INSIDER'S EDGE: Whose income is it? Social Security Benefits for Kids*](#)
- [*Issue 73: INSIDER'S EDGE: Social Security Income & MAGI*](#)
- [*Issue 78: INSIDER'S EDGE: Social Security Benefits Revisited*](#)
- [*Issue 121: INSIDER'S EDGE: Random Questions from Readers!*](#)
- [*Issue 122: INSIDER'S EDGE: More on SSI and SSDI*](#)
- Action Transmittal 14-18: Procedures for Processing Modified Adjusted Gross Income (MAGI) Applications, <http://www.dhr.state.md.us/documents/index.php?dir=Transmittals%2FFIA-Action-Transmittals%2FFY-2014-Action-Transmittals%2F>.

That's it for today! Still confused? Send your questions my way, dhmh.medicaidmarge@maryland.gov.